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COMPANIES AND SECURITIES  
ADVISORY COMMITTEE

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ANNUAL REPORT

1998-99

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## Companies & Securities **Advisory Committee**

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*Established under the  
Australian Securities &  
Investment Commission Act 1989*

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Sydney NSW 2000

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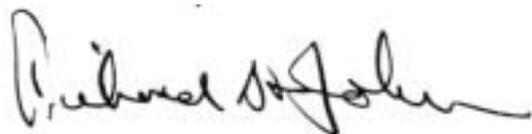
21 September 1999

The Hon Peter Costello, MP  
Treasurer  
Parliament House  
Canberra ACT 2600

Dear Treasurer

I enclose for your information and presentation to Parliament, the Annual Report of the Companies and Securities Advisory Committee 1998-99.

Yours sincerely



R. A. St John  
Convenor

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## **STRUCTURE AND FUNCTIONS**

### **Advisory Committee**

#### **Functions**

The Companies and Securities Advisory Committee (the Advisory Committee) was established under Part 9 of the Australian Securities and Investments Commission Act 1989 (the ASIC Act). It was formed in September 1989. The Advisory Committee is a body corporate, comprising part-time members appointed by the Minister. The Chairman of the Australian Securities and Investments Commission (ASIC) is a member of the Committee by virtue of s 147 of the ASIC Act.

Subsection 148(1) of the ASIC Act sets out the functions of the Advisory Committee:

*The Advisory Committee's functions are, on its own initiative or when requested by the Minister, to advise the Minister, and to make to the Minister such recommendations as it thinks fit, about any matter connected with:*

- (a) a proposal to make a national scheme law, or to make amendments of a national scheme law;*
- (b) the operation or administration of a national scheme law;*
- (c) law reform in relation to a national scheme law;*
- (d) companies, securities or the futures industry; or*
- (e) a proposal for improving the efficiency of the securities markets or futures markets.*

In fulfilling these functions, the Advisory Committee seeks to stimulate and lead public debate on the enhancement of standards for corporations and participants in financial markets, and propose suitable regulatory reform where necessary.

#### **Membership**

The members of the Advisory Committee are selected from throughout Australia on the basis of their knowledge of, or experience in, business, the administration of companies, the financial markets, law, economics or accounting. Members, other than the ASIC Chairman, are appointed to the Committee in their personal capacity by the Minister. The members during 1998-99 were:

Richard St John (Convenor), General Counsel - The Broken Hill Proprietary Company Ltd, Melbourne

Reg Barrett, Partner - Mallesons Stephen Jaques, Sydney

Philip Brown, Professor of Accounting - University of Western Australia, Perth

Alan Cameron AM, Chairman - Australian Securities and Investments Commission

Patricia Cross, Company Director, Melbourne

Peter Griffin, Director - NM Rothschild Australia Holdings Pty Ltd, Melbourne

Leigh Hall AM, Deputy Managing Director - AMP Asset Management Australia Ltd, Sydney

Greg Hancock, Director - Hancock Corporate and Investment Services, Perth

Robert Hudson, Managing Partner - Deloitte Touche Tohmatsu, Darwin

Nicki Hutley, Resource Analyst - Rothschild Australia Asset Management, Sydney

Wayne Lonergan, Partner - Coopers & Lybrand, Sydney (to November 1998)

John Maslen, Company Secretary & Chief Executive Administration - GH Michell & Sons (Australia) Pty Ltd, Adelaide

John Story, Managing Partner - Corrs Chambers Westgarth, Brisbane.

### **Appointment of members**

In November 1998, Nicki Hutley was appointed to the Advisory Committee. At the same time, Reg Barrett and Leigh Hall were reappointed to the Advisory Committee.

### **Retirement of member**

In November 1998, Wayne Lonergan retired from the Advisory Committee. He had served on the Committee since its inception in September 1989. The Advisory Committee thanks him for the substantial time and effort he put into the work of the Committee over those years, including his leading role in the preparation of the Report on *Prospectus Law Reform*.

In June 1999, John Story attended his last meeting of the Advisory Committee, before retiring from the Committee. The Advisory Committee expresses its appreciation for his considerable contribution to the work of the Committee since 1994.

### **Attendance at meetings**

During 1998-99, the Advisory Committee met 6 times. The members attended the following number of meetings: Richard St John - 6, Reg Barrett - 5, Philip Brown - 6, Alan Cameron - 5, Patricia Cross - 3, Peter Griffin - 5, Leigh Hall - 5, Greg Hancock - 5, Robert Hudson - 6, Nicki Hutley 2 out of 3, Wayne Lonergan - 2 out of 3, John Maslen - 3, John Story - 4.

## **Legal Committee**

### **Functions**

The Advisory Committee, under s 154 of the ASIC Act, may inform itself in such manner as it sees fit. Pursuant to that provision, the Legal Committee of the Advisory Committee was formally established in September 1991. Its function is to provide expert legal analysis, assessment and advice to the Advisory Committee in relation to such matters or class of matters as are referred to it by the Advisory Committee.

### **Membership**

The members of the Legal Committee are selected from throughout Australia on the basis of their expertise in corporate law and are appointed in their personal capacity by the Minister. The members during 1998-99 were:

Reg Barrett (Convenor), Partner - Mallesons Stephen Jaques, Sydney  
Damian Egan, Partner - Murdoch Clarke Cosgrove & Drake, Hobart  
Brett Heading, Partner - McCullough Robertson, Brisbane  
Jennifer Hill, Associate Professor - University of Sydney Law School (to August 1998)  
Geoff Hone, Partner - Blake Dawson Waldron, Melbourne  
Peter James, Consultant - Ward Keller, Darwin (to December 1998)  
Francis Landels, Chief Legal Counsel - Wesfarmers Ltd, Perth  
Bernard McCabe, Associate Professor - Bond University Law School, Gold Coast  
Wendy Peter, Partner - Arthur Robinson & Hedderwicks, Melbourne  
Laurie Shervington, Partner - Minter Ellison, Perth  
Anne Trimmer, Partner - Deacons Graham & James, Canberra  
Gary Watts, Partner - Fisher Jeffries, Adelaide  
Dick Whittington QC - Hanson Chambers, Adelaide  
Nerolie Withnall, Partner - Minter Ellison, Brisbane.

### **Attendance at meetings**

During 1998-99, the Legal Committee met 4 times. The members attended the following number of meetings: Reg Barrett - 3, Damian Egan - 3, Brett Heading - 3, Jennifer Hill - Retired in August 98, Geoff Hone - 2, Peter James - 1 out of 2, Francis Landels - 3, Bernard McCabe - 4, Wendy Peter - 4, Laurie Shervington - 4, Anne Trimmer - 3, Gary Watts - 4, Dick Whittington - 3, Nerolie Withnall - 2.

The Advisory Committee thanks each of the present and past members of the Legal Committee for their considerable contribution to the work of the Legal Committee.

### **Address of the Advisory Committee and the Legal Committee**

#### **Location**

Level 16, Westpac Plaza  
60 Margaret Street  
SYDNEY

#### **Postal address**

GPO Box 3967  
SYDNEY NSW 2001

**Telephone:** (02) 9911 2950

**Facsimile:** (02) 9911 2955

**Email Address:** [casac@casac.gov.au](mailto:casac@casac.gov.au)

## **OUTCOME FOR 1998-99**

In the period 1998-99, the Advisory Committee published a Discussion Paper on *Corporate Groups* and forwarded Papers to the Federal Treasurer and the Minister for Financial Services and Regulation on various other matters under the national scheme laws. The Advisory Committee also considered drafts of a Discussion Paper on *Shareholder participation in the modern listed public company*, for publication later in 1999.

In each of the matters dealt with by the Advisory Committee in this period, it sought, and took into account, the advice of its expert Legal Committee.

### **1. Corporate groups**

The Advisory Committee issued a Discussion Paper *Corporate Groups* in December 1998. That Paper sought to stimulate discussion on whether Australian corporate law needs further adjustment to better recognise and respond to the way corporate groups operate in practice. The Paper's purpose was to examine possible legal difficulties for corporate groups and their directors in effectively carrying out their functions and also to consider whether further safeguards were needed for minority shareholders and outsiders who dealt with these groups.

The Discussion Paper dealt with the following matters:

- methods of regulating corporate groups
- directors of group companies
- minority shareholders of group companies
- tort liability of group companies
- reconstructions of corporate groups
- liquidation of group companies.

The Advisory Committee is considering the submissions received on the Discussion Paper, with a view to publishing its Final Report in 1999-2000.

### **2. Recommendations for reform of ss 621(4) and 623(2) & (3) of the Corporate Law Economic Reform Program Bill 1998**

The Advisory Committee reviewed ss 621(4) and 623(2) & (3) of the Corporate Law Economic Reform Program (CLERP) Bill, in light of a takeover bid and a Court decision which highlighted problems with the current equivalents of these provisions.

The Advisory Committee recommended that s 621(4) be extended to cover all takeover bids and that s 623(2) & (3) not be proceeded with.

#### *CLERP Bill s 621(4)*

This subsection, which reflects s 641 of the Corporations Law, requires that any cash or cash alternative bid price must be no less than any consideration paid by the bidder for any target company shares in the four months before the bid. That obligation does not apply where a bidder makes a non-cash-only bid.

The Advisory Committee considered that, where a bidder intends to make a non-cash-only-bid, some shareholders could obtain considerable premiums for selling their target company shares to the bidder in the pre-bid period, compared with the consideration offered by the bidder to offeree shareholders. This might create a perception of inequitable treatment among target company shareholders. Institutions might also be placed under pressure to enter into pre-bid share deals on terms that would not be available to offeree shareholders under the bid.

The Advisory Committee recommended that CLERP Bill s 621(4) be extended to all bids, including non-cash-only-bids.

#### *CLERP Bill s 623(2) & (3)*

The Advisory Committee considered whether s 623(2) and (3) of the CLERP Bill should be retained. Under those subsections (as well as the equivalent provisions in s 698(2) and (4) of the Corporations Law), an intending bidder is prohibited in the four months preceding the bid from giving some target company shareholders certain benefits.

The Advisory Committee considered that these subsections have too broad and indefinite an application and are not necessary to protect the interests of offeree shareholders. It recommended that the Government not proceed with s 623(2) and (3) of the CLERP Bill. Any perception of inequitable treatment among target company shareholders would be overcome if s 621(4) were extended to cover all bids.

### **3. Compulsory Acquisitions and Buy-outs**

The Advisory Committee reviewed the provisions of Chapter 6A of the CLERP Bill dealing with compulsory acquisitions and buy-outs in light of some submissions made to the Parliamentary Joint Committee on Corporations and Securities expressing reservations about some of those provisions.

The Advisory Committee strongly supported the CLERP Bill provisions, subject only to some minor drafting improvements. In particular, the Committee supported the proposed new compulsory acquisition power in Part 6A.2 of the CLERP Bill and agreed with the provision in the Bill that the only criterion for reviewing the exercise of any compulsory acquisition power should be whether the price represented fair value.

The Advisory Committee also considered whether the CLERP Bill sufficiently ensured the independence of experts in preparing their reports to minority shareholders. The Advisory Committee considered that the controls contemplated in the Bill were satisfactory and adequate in that context and should not be amended.

### **4. Commentary on CLERP Consultation Paper: Financial Products, Service Providers and Markets - an Integrated Framework**

The Advisory Committee supported the principles in the CLERP Paper, which sought to provide an integrated and flexible approach to the regulation of financial markets.

The Advisory Committee agreed with the approach of the Consultation Paper that retail participants in financial markets need greater protection than wholesale participants. However, the Committee was concerned that the proposals in the Consultation Paper to permit retail participants to opt to be treated as wholesale, and to introduce a “time-critical transaction” exception to the “know your client” rule, detracted from the protections that should be afforded to retail participants. The Committee was not persuaded by the reasons given in the Consultation Paper for these proposals, and considered that their introduction would adversely affect retail participants. It recommended that those proposals be omitted.

## **5. Liquidation Anomalies**

The Legal Committee of the Advisory Committee published its Report on *Corporate Voluntary Insolvency Administration* in June 1998. The Advisory Committee Secretariat subsequently prepared a *Liquidation Anomalies* Paper, which summarised a range of other insolvency issues which Treasury could take into account in considering possible reform of the insolvency provisions of the Corporations Law.

## **6. Shareholder participation in the modern listed public company**

A key area of continuing discussion and debate in Australian corporate law and practice is corporate governance. The Advisory Committee is preparing a Discussion Paper which deals with one aspect of corporate governance, namely shareholder participation in listed public companies. The Advisory Committee considers that the rules governing shareholder participation, through meetings or electronic communications, should facilitate the efficient determination of the will of the majority of shareholders, with all proper safeguards to ensure informed decision-making. All shareholders should have the right to all appropriate information and an opportunity to express their views, with voting rights proportionate to their shareholding.

The Discussion Paper will examine issues arising from current law and practice regarding shareholder general meetings. It will also consider the impact of technological developments on the ways shareholders may in the future be able to communicate with each other and vote without having to be physically present at a meeting.

The Advisory Committee will publish the Discussion Paper in the latter half of 1999.

## **PAST FINAL REPORTS**

The Advisory Committee and the Legal Committee have published the following Reports (in addition to earlier Discussion Papers on these matters) as at 30 June 1999:

- Corporate Related Party Financial Transactions (July 1991)
- An Enhanced Statutory Disclosure System (September 1991)
- Company Directors and Officers: Indemnification, Relief and Insurance (February 1992)

- Prospectus Law Reform (March 1992)
- Collective Investments: Superannuation (March 1992) (in conjunction with the Australian Law Reform Commission)
- Statutory Derivative Actions (July 1993)
- Collective Investments: Other People's Money (September 1993) (in conjunction with the Australian Law Reform Commission)
- Anomalies in the Takeovers Provisions of the Corporations Law (March 1994)
- Law of Derivatives: An International Comparison (January 1995)
- Compulsory Acquisitions (January 1996)
- Continuous Disclosure (November 1996)
- Regulation of On-exchange and OTC Derivatives Markets (June 1997)
- Netting in Financial Markets Transactions (June 1997)
- Corporate Voluntary Administration (June 1998).

The Corporate Law Economic Reform Program Bill 1998 contains provisions adopting recommendations in the Reports on *Statutory Derivative Actions* (July 1993), *Anomalies in the Takeovers Provisions of the Corporations Law* (March 1994) and *Compulsory Acquisitions* (January 1996).

## **CURRENT DISCUSSION PAPERS**

As at 30 June 1999, the *Corporate Groups* Discussion Paper, released in December 1998, was still under consideration.

## **AUDIT COMMITTEE**

In October 1998, the Advisory Committee established an Audit Committee, consisting of Philip Brown and Robert Hudson.

## **STRATEGY**

To achieve its statutory objectives, the Advisory Committee seeks the expert advice of its Legal Committee, and considers public submissions on its Discussion Papers. It seeks to ensure that all interested persons in the commercial community have an adequate opportunity to make submissions on particular matters and otherwise express their views to the Advisory Committee.

Through consultation and the provision of timely advice to the Federal Treasurer and the Minister for Financial Services and Regulation, the Advisory Committee seeks to ensure that Australian financial markets and corporations operate in a commercial environment of the highest standard, supported by appropriate legislation.

## SECRETARIAT

As at 30 June 1999, the Advisory Committee had a full-time Secretariat of three persons. During 1998-99, the Executive Director was John Kliver, with Vincent Jewell as the Deputy Director and Thurza Getzler (to 31 August 1998) as a Legal Officer. Thaumani Parrino was the Executive Assistant to the Secretariat.

During 1998-99, John Kliver prepared and presented the following papers on various aspects of the Advisory Committee's work:

- *The business judgment rule and statutory derivative actions*, AICD/BLS/Law Society Seminar, Perth 1998
- *Compulsory acquisitions and buy-outs*, AICD/BLS/Law Society Seminar, Perth 1998
- *Directors of group companies*, AICD/BLS/Law Society Seminar, Perth 1998
- *The challenges of corporate law reform*, Corporate Law Teachers' Conference, Melbourne 1999
- *Corporate insolvency*, IIR Conference, Sydney and Melbourne 1999
- *Insolvency of corporate group companies*, Insolvency Practitioners Association of Australia, Sydney 1999
- *Comparing Australian and European proposals for reform of corporate group law*, Konzernrecht für Europa Conference, Bonn, Germany 1999.

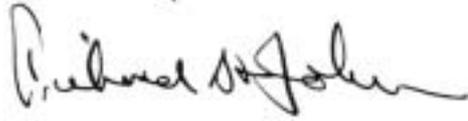
Vincent Jewell co-chaired a session on corporate voluntary insolvency administration law reform at the Law Council of Australia Insolvency Law Workshop 1998.

The Advisory Committee members acknowledge the work of the Secretariat in preparing draft Discussion Papers, Reports and other documents, and thank them for their efforts throughout the year in supporting the work of the Committee.

## CO-ORDINATION WITH OTHER BODIES

The Advisory Committee, through its Secretariat, has kept in close contact with officers of the Commonwealth Treasury, ASIC and other relevant bodies. Representatives of Treasury attended all Advisory Committee and Legal Committee meetings, at the invitation of the Committees. The Committees appreciate the co-operation shown by these officers throughout the year. A senior officer of ASIC also attends Legal Committee meetings, at the Committee's invitation.

The Advisory Committee also thanks the officers of the Finance Section of ASIC, Sydney, for their assistance in administering the accounts of the Committee and preparing the annual financial statements, and the officers of the ASIC Library, Sydney, for their assistance in the research work of the Secretariat.

A handwritten signature in black ink, appearing to read 'R. A. St John', written in a cursive style.

R. A. St John

Convenor

Advisory Committee

21 September 1999



## INDEPENDENT AUDIT REPORT

To the Treasurer

### Scope

I have audited the financial statements of the Companies and Securities Advisory Committee for the year ended 30 June 1999. The financial statements comprise:

- Statement by Members;
- Operating Statement;
- Statement of Assets and Liabilities;
- Statement of Cash Flows;
- Schedule of Commitments;
- Schedule of Contingencies; and
- Notes to and forming part of the Financial Statements.

The members of the Committee are responsible for the preparation and presentation of the financial statements and the information they contain. I have conducted an independent audit of the financial statements in order to express an opinion on them to you.

The audit has been conducted in accordance with Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards, to provide reasonable assurance as to whether the financial statements are free of material misstatement. Audit procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial statements, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial statements are presented fairly in accordance with Australian Accounting Standards, other mandatory professional reporting requirements and statutory requirements so as to present a view of the entity which is consistent with my understanding of its financial position, the results of its operations and its cash flows.

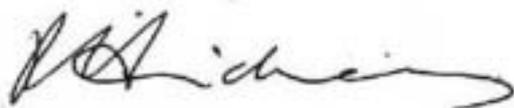
The audit opinion expressed in this report has been formed on the above basis.

**Audit Opinion**

In my opinion,

- (i) the financial statements have been prepared in accordance with Schedule 2 of the Finance Minister's Orders; and
- (ii) the financial statements give a true and fair view, in accordance with applicable Accounting Standards, other mandatory professional reporting requirements and Schedule 2 of the Finance Minister's Orders, of the financial position of the Companies and Securities Advisory Committee as at 30 June 1999 and the results of its operations and its cash flows for the year then ended.

Australian National Audit Office



Paul Hinchey  
Senior Director

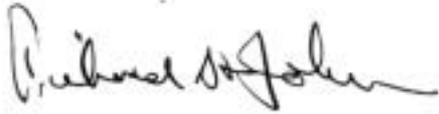
Delegate of the Auditor-General

Sydney  
24 September 1999

**COMPANIES AND SECURITIES ADVISORY COMMITTEE  
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 1999**

**STATEMENT BY MEMBERS**

In our opinion, the attached financial statements give a true and fair view of the matters required by Schedule 2 of the Finance Minister's Orders made under the *Commonwealth Authorities and Companies Act 1997*.



Richard St John  
Convenor  
21 September, 1999



Philip Brown  
Member  
21 September, 1999

COMPANIES AND SECURITIES ADVISORY COMMITTEE  
 OPERATING STATEMENT  
 for the year ended 30 June 1999

		1999	1998
		\$	\$
<b>NET COST OF SERVICES</b>			
<b>Operating Expenses</b>	Note		
Employees	4a	340,003	376,326
Suppliers	4b	394,106	396,685
Depreciation and amortisation	4c	72,142	95,792
Net loss on sale of assets	4d	-	2,062
		<u>806,251</u>	<u>870,865</u>
<b>Total operating expenses (before abnormal items)</b>			
<b>Revenues from independent sources</b> <b>(before abnormal items)</b>			
Interest	5a	28,666	29,148
Other	5b	42	-
		<u>28,708</u>	<u>29,148</u>
<b>Total revenues from independent sources</b> <b>(before abnormal items)</b>			
<b>Net Cost of Services (before abnormal items)</b>		777,543	841,717
Abnormal items	6	95,060	-
<b>Net Cost of Services</b>		<u>872,603</u>	<u>841,717</u>
<b>REVENUES FROM GOVERNMENT</b>			
Parliamentary appropriations received	7	816,000	811,000
<b>Total revenues from government</b>		<u>816,000</u>	<u>811,000</u>
<b>Surplus (deficit) of revenues from government</b> <b>over net cost of services</b>		(56,603)	(30,717)
<b>Accumulated surpluses</b> <b>at beginning of reporting period</b>		301,250	331,967
<b>Accumulated surpluses</b> <b>at end of reporting period</b>	10	<u>244,647</u>	<u>301,250</u>

The accompanying notes form part of these financial statements.

COMPANIES AND SECURITIES ADVISORY COMMITTEE  
 STATEMENT OF ASSETS AND LIABILITIES  
 as at 30 June 1999

	Note	1999 \$	1998 \$
<b>DEBT</b>			
Other	8	72,265	92,433
<b>Total debt</b>		<u>72,265</u>	<u>92,433</u>
<b>PROVISIONS AND PAYABLES</b>			
Employees	9a	113,880	107,755
Suppliers	9b	42,972	25,964
<b>Total provisions and payables</b>		<u>156,852</u>	<u>133,719</u>
<b>Total liabilities</b>		<u>229,117</u>	<u>226,152</u>
<b>EQUITY</b>			
Reserves	10	10,444	-
Accumulated surpluses	10	244,647	301,250
<b>Total equity</b>		<u>255,091</u>	<u>301,250</u>
<b>Total liabilities and equity</b>		<u>484,208</u>	<u>527,402</u>
<b>FINANCIAL ASSETS</b>			
Cash	11a	303,575	207,728
Receivables	11b	21,048	16,377
<b>Total financial assets</b>		<u>324,623</u>	<u>224,105</u>
<b>NON-FINANCIAL ASSETS</b>			
Land and buildings	12a	9,464	9,240
Plant & equipment	12b	122,856	263,001
Other	12c	27,265	31,056
<b>Total non-financial assets</b>		<u>159,585</u>	<u>303,297</u>
<b>Total assets</b>		<u>484,208</u>	<u>527,402</u>
<b>Current liabilities</b>		<u>120,970</u>	<u>96,376</u>
<b>Non-current liabilities</b>		<u>108,147</u>	<u>129,776</u>
<b>Current assets</b>		<u>351,888</u>	<u>255,161</u>
<b>Non-current assets</b>		<u>132,320</u>	<u>272,241</u>

The accompanying notes form part of these financial statements.

COMPANIES AND SECURITIES ADVISORY COMMITTEE  
 STATEMENT OF CASH FLOWS  
 for the year ended 30 June 1999

	Note	1999 \$	1998 \$
<b>OPERATING ACTIVITIES</b>			
<b>Cash received</b>			
Appropriations		816,000	811,000
Interest		28,548	29,051
Other revenue		42	-
<b>Total cash received</b>		<u>844,590</u>	<u>840,051</u>
<b>Cash used</b>			
Employees		(338,431)	(369,265)
Suppliers		(393,475)	(427,748)
<b>Total cash used</b>		<u>(731,906)</u>	<u>(797,013)</u>
<b>Net cash from operating activities</b>	13	<u>112,684</u>	<u>43,038</u>
<b>INVESTING ACTIVITIES</b>			
<b>Cash received</b>			
Proceeds from sale of property, plant & equipment		-	574
<b>Total cash received</b>		<u>-</u>	<u>574</u>
<b>Cash used</b>			
Purchase of property, plant & equipment		(16,837)	(81,482)
<b>Total cash used</b>		<u>(16,837)</u>	<u>(81,482)</u>
<b>Net cash from investing activities</b>		<u>(16,837)</u>	<u>(80,908)</u>
Net increase in cash held		95,847	(37,870)
Cash at 1 July		207,728	245,598
Cash at 30 June	11a	<u>303,575</u>	<u>207,728</u>

The accompanying notes form part of these financial statements.

**COMPANIES AND SECURITIES ADVISORY COMMITTEE**  
**SCHEDULE OF COMMITMENTS**  
*as at 30 June 1999*

	1998	1998
	\$	\$
<b>BY TYPE</b>		
<b>OTHER COMMITMENTS</b>		
Property operating leases	<u>361,200</u>	<u>462,000</u>
<b>BY MATURITY</b>		
One year or less	100,800	100,800
From one year to two years	100,800	100,800
From two years to five years	159,600	260,400
<b>Operating lease commitments</b>	<u><u>361,200</u></u>	<u><u>462,000</u></u>

The accompanying notes form part of these financial statements.

## **COMPANIES AND SECURITIES ADVISORY COMMITTEE**

### **SCHEDULE OF CONTINGENCIES**

*as at 30 June 1999*

All Committee members are entitled to a remuneration of expenses and a daily sitting fee. Most members waived their entitlement to sitting fees, but the entitlement remains legally effective. The Committee's view is that any claims for reimbursement of these sitting fees is unlikely to be made (1997/98 nil).

## **COMPANIES AND SECURITIES ADVISORY COMMITTEE**

### **NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

*for the year ended 30 June 1999*

#### **Note Description**

1. Summary of significant accounting policies
2. Segment reporting
3. Economic dependency
4. Goods and services expenses
5. Revenue from Independent Sources
6. Abnormal items
7. Revenues from Government
8. Debt
9. Provisions and payables
10. Equity
11. Financial assets
12. Non-financial assets
13. Cash flow reconciliation
14. Related parties
15. Remuneration of Members and Executives
16. Superannuation
17. Auditors remuneration
18. Financial instruments

## **1. Summary of significant accounting policies**

### **(a) Basis of accounting**

The financial statements are a general purpose financial report.

They have been prepared in accordance with Schedule 2 to Orders issued by the Finance Minister under the *Commonwealth Authorities and Companies Act 1997*.

The financial statements have been prepared

- in accordance with Australian Accounting Standards, other authoritative pronouncements of the Accounting Standards Boards (Accounting Guidance Releases) and the Consensus Views of the Urgent Issues Group, and
- having regard to Statements of Accounting Concepts.

The financial statements have been prepared on an accrual basis and are in accordance with the historical cost convention, except for certain assets which, as noted, are at valuation. Except where stated, no allowance is made for the effect of changing prices on the results or on the financial position.

### **(b) Cash**

For the purpose of the Statement of Cash Flows, cash includes deposits held at call with a bank.

### **(c) Taxation**

CASAC is exempt from all forms of taxation with the exception of sales tax, debits tax and fringe benefits tax.

### **(d) Property, plant and equipment**

Purchases of plant and equipment are recognised initially at cost in the Statement of Assets and Liabilities, except for purchases costing less than \$1,000, which are expensed in the year of acquisition. The \$1,000 threshold was selected because it facilitates efficient asset management and recording without materially affecting asset values recognised.

Schedule 2 requires that property, plant and equipment be progressively revalued in accordance with the 'deprival' method of valuation by no later than 1 July 1999 and thereafter be revalued progressively on that basis every three years.

The CASAC has implemented its progressive revaluations to 1 July 1999 as follows:

- leasehold improvements have been revalued in full during the 1998/99 financial year;
- plant and equipment assets have been revalued in full during the 1998/99 financial year;

Assets in each class acquired after the commencement of the revaluation cycle are reported at cost for the duration of the progressive revaluation then in progress.

The application of the deprival method values leasehold improvements and other assets at their depreciated replacement cost. Any assets which would not be replaced or are surplus to requirements are valued at net realisable value.

The independent valuations provided to the ASIC have been applied to the CASAC assets for revaluation purposes, as the assets held by the CASAC are similar to those of the ASIC.

#### **(e) Depreciation and amortisation**

Depreciable plant and equipment (including library books) is written off to its estimated residual value over its estimated useful life using the straight line method of depreciation. Useful lives and residual values are reviewed at each balance date and necessary adjustments made.

Leasehold improvements are amortised on a straight line basis over the lesser of the estimated useful life of the improvements or the unexpired period of the lease.

Depreciation and amortisation rates applying to each class of depreciable asset are as follows:

	1999	1998
Leasehold improvements	Lease term	Lease term
Plant and equipment	5 to 50 years	5 to 10 years

#### **(f) Leases**

No finance leases existed during the financial year. All leased assets have been classified as operating leases as substantially all the risks and benefits incidental to the ownership of the leased assets remain with the lessor. Operating lease payments are charged as a rental expense in the Operating Statement on a basis which is representative of the pattern of benefits derived from the leased assets.

#### **(g) Employee entitlements**

The liability for employee entitlements encompasses provisions for annual leave and long service leave. No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave taken by employees is less than the annual entitlement for sick leave.

The provision for annual leave reflects the value of total annual leave entitlements of all employees at 30 June 1999 and is recognised at its nominal value.

The liability for long service leave is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at 30 June 1999. In determining the present value of the liability, attrition rates and pay increases through promotion and inflation have been taken into account.

#### **(h) Superannuation**

CASAC employees are covered under the Commonwealth and Public Sector Superannuation Schemes. Details of superannuation schemes which CASAC contributes to are disclosed in Note 16.

### **(i) Revenue**

CASAC is substantially funded by Parliamentary Appropriations which enable it to carry out its functions under the *Corporations Law*.

Operating revenue from independent sources is mainly comprised of bank interest.

### **(j) Lease incentives**

Lease incentives taking the form of rent free holidays are recognised as a liability. This liability is reduced by allocating lease payments between rental expense and reduction of the liability.

### **(k) Receivables**

This comprises amounts expected to be received from operating revenue. A provision for doubtful debts is not considered necessary.

### **(l) Rounding**

Figures have been rounded to the nearest dollar.

### **(m) Comparative figures**

Where necessary, comparative figures have been adjusted to conform with changes in presentation in these financial statements.

### **(n) Financial instruments**

Accounting policies in relation to financial instruments are disclosed in Note 18.

## **2. Segment reporting**

The Committee seeks to stimulate and lead the debate on the enhancement of standards for corporations and participants in public markets, and propose suitable regulatory reform where necessary. The Committee operates solely from Sydney, Australia.

## **3. Economic dependency**

The CASAC is controlled by the Government of the Commonwealth of Australia.

The CASAC is dependent on appropriations from Parliament of the Commonwealth for its continued existence and ability to carry out its normal activities and functions under the *Corporations Law*.

## **4. Goods and services expenses**

<b>(a) Employee expenses</b>	<b>1999</b>	<b>1998</b>
	<b>\$</b>	<b>\$</b>
Basic remuneration for services provided	<b>340,003</b>	376,326
<b>Total employee expenses</b>	<b><u>340,003</u></b>	<b><u>376,326</u></b>

<b>(b) Suppliers expenses</b>	<b>1999</b>	1998
	\$	\$
Supply of goods and services	<b>301,378</b>	311,774
Operating lease rentals	<b>92,728</b>	84,911
<b>Total suppliers expenses</b>	<b><u>394,106</u></b>	<u>396,685</u>

**(c) Depreciation and amortisation**

Depreciation of property, plant & equipment	<b>70,376</b>	93,862
Amortisation of leasehold improvements	<b>1,766</b>	1,930
<b>Total depreciation and amortisation</b>	<b><u>72,142</u></b>	<u>95,792</u>

The aggregate amounts of depreciation and amortisation allocated during the reporting period, as expense for each class of depreciable asset are as follows:

Leasehold improvements	<b>1,766</b>	1,930
Library books	<b>39,742</b>	52,655
Plant and equipment	<b>30,634</b>	41,207
<b>Total allocated</b>	<b><u>72,142</u></b>	<u>95,792</u>

**(d) Net losses from sale of assets**

Plant and equipment	-	2,062
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**5. Revenue from Independent Sources**

<b>(a) Bank interest</b>	<b>28,666</b>	29,148
<b>(b) Other revenue</b>	<b>42</b>	-

**6. Abnormal items**

Plant and equipment - write-down of library books	<b><u>95,060</u></b>	<u>-</u>
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In accordance with the policy stated at Note 1(e), the useful lives and residual values of subscriptions were reviewed at 30 June 1999.

**7. Revenues from Government**

**(a) Parliamentary Appropriations**

Appropriation Act No 1 1998/99	<b>816,000</b>	-
<b>Total</b>	<b><u>816,000</u></b>	<u>811,000</u>

## 8. Debt

	<b>1999</b>	1998
	\$	\$
(a) Other	<b>72,265</b>	92,433

### Property lease incentives

The property lease incentive liability is repayable as follows:

within one year	<b>20,168</b>	20,168
within one to two years	<b>20,168</b>	20,168
within two to five years	<b>31,929</b>	52,097
	<u><b>72,265</b></u>	<u>92,433</u>

Total property lease incentives represents deferred rental expenditure accrued as at 30 June 1999. The payments of this amount will be made over the life of the lease, commencing after the expiry of the rent deferral period.

## 9. Provisions and payables

### (a) Liabilities to employees

Salaries and wages	<b>4,160</b>	4,135
Annual leave	<b>53,670</b>	46,109
Long service leave	<b>56,050</b>	57,511
Aggregate employee entitlement liability	<u><b>113,880</b></u>	<u>107,755</u>

### (b) Suppliers

Trade creditors	<u><b>42,972</b></u>	<u>25,964</u>
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## 10. Equity

Item	Accumulated results		Asset revaluation reserve		TOTAL EQUITY	
	1999 \$	1998 \$	1999 \$	1998 \$	1999 \$	1998 \$
Balance 1 July	<b>301,250</b>	331,967	-	-	<b>301,250</b>	331,967
Surplus/(Deficit)	<b>(56,603)</b>	(30,717)	-	-	<b>(56,603)</b>	(30,717)
Net revaluation increases/(decreases)	-	-	<b>10,444</b>	-	<b>10,444</b>	-
Balance 30 June	<b>244,647</b>	301,250	<b>10,444</b>	-	<b>255,091</b>	301,250

(a) The net revaluation increase in the asset revaluation reserve comprises:

	<b>1999</b>	1998
	\$	\$
• revaluation increment - leasehold improvements	<b>1,989</b>	-
• revaluation increment - plant and equipment	<b>8,455</b>	-
	<u><b>10,444</b></u>	<u>-</u>

## 11. Financial assets

### (a) Cash

Cash at bank and on hand	<u><b>303,575</b></u>	<u>207,728</u>
Balance of cash as at 30 June shown in the Statement of Cash Flows	<b>303,575</b>	207,728

	<b>1999</b>	1998
	\$	\$
(b) Receivables		
Other debtors	<u><b>21,048</b></u>	<u>16,377</u>
Receivables includes receivables overdue by: - more than 60 days	<u><b>9,434</b></u>	<u>-</u>

## 12. Non-financial assets

### (a) Land and buildings

Leasehold improvements - at cost	-	17,917
Accumulated amortisation	-	(8,677)
	<u>-</u>	<u>9,240</u>
Leasehold improvements - at valuation (1998/99) (i)	<b>18,700</b>	-
Accumulated amortisation	<b>(9,236)</b>	-
	<u><b>9,464</b></u>	<u>-</u>
<b>Total land and buildings</b>	<u><b>9,464</b></u>	<u>9,240</u>

### (b) Plant and equipment

Plant and equipment - at cost	<b>193,657</b>	504,725
Accumulated depreciation	<b>(116,068)</b>	(241,724)
	<u><b>77,589</b></u>	<u>263,001</u>

	<b>1999</b>	1998
	\$	\$
Plant and equipment - at valuation 1998/99 (i)	<b>121,385</b>	-
Accumulated depreciation	<b>(76,118)</b>	-
	<u><b>45,267</b></u>	<u>-</u>
<b>Total plant and equipment</b>	<u><b>122,856</b></u>	<u>263,001</u>

(i) The revaluation of leasehold improvements and plant and equipment was performed on 1 July 1998 in accordance with the revaluation policy stated at Note 1(d). A valuation increment of \$10,444 was transferred to the asset revaluation reserve.

**(c) Movement summary 1998/99 for all assets irrespective of valuation basis**

Item	Land and buildings - Leasehold improvements	Total Land and buildings	Other infrastructure, plant and equipment	Total property, plant and equipment
	\$		\$	\$
<b>Gross value as at 1 July 1998</b>	17,917	17,917	504,725	522,642
Additions	-	-	16,837	16,837
Revaluations	783	783	(16,008)	(15,225)
Write-offs	-	-	(190,512)	(190,512)
<b>Gross value as at 30 June 1999</b>	18,700	18,700	315,042	333,742
<b>Accumulated Depreciation / Amortisation as at 1 July 1998</b>	8,677	8,677	241,724	250,401
Depreciation / Amortisation charge for assets held 1 July 1998	1,766	1,766	69,769	71,535
Depreciation / Amortisation charge for additions	-	-	607	607
Adjustment for revaluations	(1,207)	(1,207)	(24,462)	(25,669)
Adjustment for write-offs	-	-	(95,452)	(95,452)
<b>Accumulated Depreciation / Amortisation as at 30 June 1999</b>	9,236	9,236	192,186	201,422
<b>Net book value as at 30 June 1999</b>	9,464	9,464	122,856	132,320
<b>Net book value as at 1 July 1998</b>	9,240	9,240	263,001	272,241

(d) Summary of balances of assets at valuation as at 30 June 1999

Item	Land and buildings - Leasehold improvements	Total Land and buildings	Other infrastructure, plant and equipment	Total property, plant and equipment
	\$		\$	\$
<b>As at 30 June 1999</b>				
Gross value	18,700	18,700	121,385	140,085
Accumulated Depreciation / Amortisation	9,236	9,236	76,118	85,354
<b>Net book value</b>	<b>9,464</b>	<b>9,464</b>	<b>45,267</b>	<b>54,731</b>
<b>As at 30 June 1998</b>				
Gross value	-	-	-	-
Accumulated Depreciation / Amortisation	-	-	-	-
<b>Net book value</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

<b>(e) Other non-financial assets</b>	<b>1999</b>	<b>1998</b>
	\$	\$
Prepaid property rentals	<b>9,408</b>	9,408
Other prepayments	<b>17,857</b>	21,648
<b>Total other non-financial assets</b>	<b><u>27,265</u></b>	<b><u>31,056</u></b>

### 13. Cash flow reconciliation

#### Reconciliation of net cash flows from operating activities to Net Cost of Services

Net cost of services	(872,603)	(841,717)
Revenues from Government	816,000	811,000
<b>Operating surplus/(deficit)</b>	<b>(56,603)</b>	<b>(30,717)</b>
Depreciation and amortisation of property, plant and equipment	72,142	95,792
Increase in employee liabilities	6,125	13,506
(Increase)/decrease in other assets	3,791	(4,378)
Increase in receivables	(4,671)	(6,448)
Increase (decrease) in liability to suppliers	17,008	(6,611)
Decrease in other payables	(20,168)	(20,168)
Loss on disposal of property, plant and equipment	-	2,062
Write-down of property, plant and equipment	95,060	-
<b>Net cash provided /(used) by operating activities</b>	<b>112,684</b>	<b>43,038</b>

### 14. Related parties

(a). The members of the Committee during the 1998/99 reporting period were:

Richard St John Convenor  
Reg Barrett (reappointed 25 November 1998)  
Philip Brown  
Alan Cameron  
Patricia Cross  
Peter Griffin  
Leigh Hall (reappointed 25 November 1998)  
Greg Hancock  
Robert Hudson  
Nicki Hutley (appointed 25 November 1998)  
Wayne Lonergan (retired 25 November 1998)  
John Maslen  
John Story

(b) During the financial year there were no related party transactions with Committee members except for the payment of \$36,638 to ASIC of which Alan Cameron is the Chairman. (1997/98 \$40,158)

The aggregate remuneration of members is disclosed in Note 15(a).

## 15. Remuneration of Members and Executives

<b>(a) Remuneration of Members</b>	<b>1999</b>	1998
	\$	\$

Remuneration received or due and receivable by committee members, including legal committee members.	<b>23,760</b>	24,180
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The aggregate of superannuation payments paid on behalf of members totalled nil (1997/98 nil).

The number of Members of the Committee included in these figures are shown below in the relevant remuneration bands.

	<b>1999</b>	1998
Bands of remuneration	<b>Members</b>	Members
\$0 - \$9,999	<b>20</b>	17

### (b) Remuneration of Executive Officer

	<b>1999</b>	1998
	\$	\$
Income received or due and receivable by the Executive Officer	<b>114,455</b>	115,418

	<b>1999</b>	1998
Bands of income	<b>Executives</b>	Executives
\$110,001 - \$120,000	<b>1</b>	1

The executive remuneration includes all Executive Officers concerned with or taking part in the management of CASAC during 1998/99 except for the Members of the Committee.

## 16. Superannuation

CASAC contributes to the superannuation schemes listed below which provide retirement, death and disability benefits to employees. Contributions to the schemes are at rates calculated to cover existing and emerging obligations. CASAC does not assume any liabilities in respect of these schemes.

	<b>1999</b>	1998
<u>Commonwealth schemes</u>	\$	\$
Public Sector Superannuation Scheme (PSS)	<b>15,459</b>	20,975
Commonwealth Superannuation Scheme (CSS)	<b>12,970</b>	14,862
Total	<b>28,429</b>	35,837
<u>Superannuation productivity benefit</u>	<b>4,784</b>	6,284
<b>Total superannuation contribution</b>	<b>33,213</b>	42,121

Details of the above plans are as follows:

### **Commonwealth schemes**

#### ***Public Sector Superannuation Scheme (PSS)***

Fund type: Defined benefit plan  
Principal type of benefit: Lump sum / pension  
Basis of contributions: Contribution rates during 1998-99 are 10.8% of salary  
Date of last actuarial review: 30 June 1995 (next review to commence shortly)  
Name of actuary: Mr. K. E. Deeves, F.I.A.A.

#### ***Commonwealth Super Scheme (CSS)***

Fund type: Split benefit plan  
Principal type of benefit: Lump sum / pension  
Basis of contributions: Contribution rates during 1998-99 are 18.5% of salary  
Date of last actuarial review: 30 June 1995 (next review to commence shortly)  
Name of actuary: Mr. K. E. Deeves, F.I.A.A.

### **Superannuation productivity benefit**

#### ***Australian Government Employees Superannuation Trust (AGEST)***

Fund type: Defined contribution plan  
Principal type of benefit: Lump sum  
Basis of contributions: Fixed percentage of employee's gross salary  
Unfunded liability: Nil

### **17. Auditors remuneration**

	<b>1999</b>	1998
	\$	\$
Remuneration to the Auditor-General for auditing the financial statements in respect of the reporting period.	<b>7,500</b>	9,150

## 18. Financial instruments

### (a) Terms, conditions and accounting policies

Financial instrument	Notes	Accounting policies and methods (including recognition criteria and measurement basis)	Nature of underlying instrument (including significant terms & conditions affecting the amount, timing and certainty of cash flows)
<i>Financial assets</i>		Financial assets are recognised when control over future economic benefits is established and the amount of the benefit can be reliably measured.	
Cash at bank	11 (a)	Interest is credited to revenue as it accrues.	Interest is earned on the daily balance at the prevailing daily rate for money on call and is paid at month end.
Receivables for goods & services	11 (b)	These receivables are recognised at the nominal amounts due less any provision for bad and doubtful debts. Provisions are made when collection of the debt is judged to be less rather than more likely.	Credit terms are net 14 days (1997-98: 14 days).
<i>Financial liabilities</i>		Financial liabilities are recognised when a present obligation to another party is entered into and the amount of the liability can be reliably measured.	
Lease incentives	8	The lease incentive is recognised as a liability on receipt of the incentive. The amount of the liability is reduced on a straight-line over the life of the lease by allocating lease payments between rental expense and reduction of the liability.	
Trade creditors	9 (b)	Creditors and accruals are recognised at their nominal amounts, being the amounts at which the liabilities will be settled. Liabilities are recognised to the extent that the goods or services have been received.	Settlement is usually made net 30 days.

**Note 18. Financial instruments (cont.)**

**(b) Interest rate risk**

Financial instrument	Notes	Floating interest rate		Fixed interest rate		Non-interest bearing		Total		Weighted Average Effective Interest Rate	
				1 year or less							
		98-99 \$	97-98 \$	98-99 \$	97-98 \$	98-99 \$	97-98 \$	98-99 \$	97-98 \$	98-99 %	97-98 %
<b>Financial assets (recognised)</b>											
Cash at bank	11 (a)	303,575	207,728	-	-	-	-	303,575	207,728	4.0	4.2
Receivables for goods and services	11 (b)	-	-	-	-	21,048	16,377	21,048	16,377	n/a	n/a
<b>Total financial assets (recognised)</b>		<b>303,575</b>	<b>207,728</b>	<b>-</b>	<b>-</b>	<b>21,048</b>	<b>16,377</b>	<b>324,623</b>	<b>224,105</b>		
<b>Total assets</b>								<b>484,208</b>	<b>527,402</b>		
<b>Financial liabilities (recognised)</b>											
Leases	8	-	-	-	-	72,265	92,433	72,265	92,433	n/a	n/a
Trade creditors	9 (b)	-	-	-	-	42,972	25,964	42,972	25,964	n/a	n/a
<b>Total financial liabilities (recognised)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>115,237</b>	<b>118,397</b>	<b>115,237</b>	<b>118,397</b>		
<b>Total liabilities</b>								<b>229,117</b>	<b>226,152</b>		

**Note 18. Financial instruments (cont.)**

**(c) Net fair values of financial assets and liabilities**

<b>Financial assets</b>	<b>1998-99</b>		<b>1997-98</b>	
	<b>Total carrying amount</b>	<b>Aggregate net fair value</b>	<b>Total carrying amount</b>	<b>Aggregate net fair value</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Cash at bank	<b>302,575</b>	<b>302,575</b>	206,728	206,728
Cash on hand	<b>1,000</b>	<b>1,000</b>	1,000	1,000
Receivables for goods and services	<b>21,048</b>	<b>21,048</b>	16,377	16,377
	<b><u>324,623</u></b>	<b><u>324,623</u></b>	<u>224,105</u>	<u>224,105</u>
<b>Financial liabilities</b>				
Leases	<b>72,265</b>	<b>72,265</b>	92,433	92,433
Trade creditors	<b>42,972</b>	<b>42,972</b>	25,964	25,964
	<b><u>115,237</u></b>	<b><u>115,237</u></b>	<u>118,397</u>	<u>118,397</u>

*Financial assets*

The net fair value of cash approximates its carrying amounts.

The net fair values for receivables for goods and services, all of which are short-term in nature, are approximated by their carrying amounts.

*Financial liabilities*

The net fair value of surplus space on non-cancellable leases has been recognised as a liability and stated at net present value of future net outlays.

The net fair values for trade creditors, all of which are short-term in nature, are approximated by their carrying amounts.

**(d) Credit risk exposures**

CASAC's maximum exposures to credit risk at reporting date in relation to each class of recognised financial assets is the carrying amount of those assets as indicated in the Statement of Assets and Liabilities.

The economic entity has no significant exposures to any concentrations of credit risk.